

GENERAL FACT SHEET**13R-62****BILL NUMBER****BRIEF TITLE****APPROVAL DEADLINE****REASON**

Air Pollution Regulation Changes:
Emission Fees

Update regulations, modify structure of fees to
assure adequate revenue to fully fund the
program.

DETAILS**POSITIONS/RECOMMENDATIONS**

<p>The Lincoln-Lancaster County Health Department (LLCHD) Title V Air Quality Program is self-supported through fees charged for emission of air pollution by regulated sources. LLCHD proposes to revise the emission fees prescribed in the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards. In addition to eliminating 1 FTE in the Air Quality Program, a new tiered structure for fees, which would charge more for more air pollution, is proposed. The fee for emissions of regulated air pollutants is proposed to increase approximately 2.7% from \$56.50 per ton to \$58.00 per ton for emissions up to 500 tons. Emissions between 500 and 1000 tons would be charged \$70 per ton. Emissions greater than 1000 tons would be charged \$84 per ton.</p>	Sponsor	Board of Health
	Program Departments, or Groups Affected	Health and regulated air pollution sources
	Applicants/Proponents	Applicant: Health Department City Department: Health Other: Air Pollution Control Advisory Board, Board of Health
<p>Discussion (Including Relationship to other Council Actions)</p> <p>The City Council has regularly updated the LLCHD Air Pollution Control Program Regulations and Standards, including the fee amounts and structure. This program is required by the Federal Clean Air Act to be self-supporting and it is 100% fee funded through emission fees charged for air pollution. LLCHD writes and issues air quality permits, conducts inspections, inventories air pollution emissions, provides technical assistance and conducts enforcement actions when necessary. This assures that the local businesses, institutions, and industries that are regulated under the Clean Air Act are in compliance with Federal law if they comply with their permit conditions. LLCHD has met with the largest regulated sources to inform them of the changes.</p>	Opponents	Groups or Individuals None Expected Basis of Opposition
	Staff Recommendations	X For <input type="checkbox"/> Against Reason Against
	Board or Commission Recommendation	BY Board of Health X For <input type="checkbox"/> Against <input type="checkbox"/> No Action Taken <input type="checkbox"/> For with revisions or conditions (See Details column for conditions)
	CITY COUNCIL ACTIONS (For Council Use Only)	<input type="checkbox"/> Pass <input type="checkbox"/> Pass (As Amended) <input type="checkbox"/> Council Sub. <input type="checkbox"/> Without Recommendation <input type="checkbox"/> Hold <input type="checkbox"/> Do not Pass

DETAILS**POLICY/PROGRAM IMPACT**

	POLICY OR PROGRAM CHANGE	X NO YES _____ _____	
	OPERATIONAL IMPACT ASSESSMENT	None _____ _____	
	FINANCES		
	COST AND REVENUE PROJECTIONS	COST of total project: \$ 0 COST of this Ordinance/ Resolution \$ 0	
		RELATED annual operating Costs \$ 0	
		INCREASE REVENUE EXPECTED/YEAR \$ \$	
	SOURCE OF FUNDS	CITY [Approximately] \$ 0 % 0 \$ % \$ %	
NON CITY [Approximately] \$ % \$ % \$ %			
BENEFIT COST			
<input type="checkbox"/> Front Foot <input type="checkbox"/> Square Foot			
Average Assessment \$ _____ \$ _____			

APPLICABLE DATES:

FACT SHEET PREPARED BY: Scott E. Holmes, REHS, MS, Manager
Environmental Public Health Division, LLCHD

REVIEW BY:

REFERENCE NUMBER

**Lincoln-Lancaster County Health Department
Air Quality Program
Proposed Tiered Air Pollution Emissions Fees
Background Information
February 14, 2013**

Background

The Title V Air Quality Operating Permits Program was designed by EPA to be self-supporting; there are no federal funds provided to State or local air quality programs to operate the Title V program. EPA proposed that the main source of funding for Title V programs would be emission fees charged for regulated pollutants. LLCHD's Title V Air Quality Program has been self-supporting since its approval by EPA in the mid-1990's, and has charged fees for emissions of regulated pollutants. These fees are deposited into a separate fund called the Title V Fund. City and County general funds are not used to support the Title V Air Quality Program.

The Title V Air Quality Program must end each fiscal year with a positive balance in the Title V Fund. For fiscal year (FY) 12, the balance was about \$258,000. This would provide about four months of operating costs. The City Budget Office has recommended that the Health Department carry-over a minimum of three months operating costs.

In FY12, the Health Department's Title V Program charged an emission fee of \$56.50 per ton of regulated pollutant. This per ton emission fee, and the minimum fees charged to each source, resulted in \$667,066 of revenue. Separate fees, charged to Area Sources of Hazardous Air Pollutants, resulted in total revenue for the Air Quality Program of about \$683,000.

In 2012, NPPD was billed for 8,386.7 tons of emissions for calendar year 2011, at a rate of \$56.50 per ton, resulting in fees of \$473,848. Thus, NPPD's emission fees comprised just over 70% of all emission fee revenue. This has been the "norm" since the Title V Program inception.

In late 2011, EPA issued the Cross State Air Pollution Rule (CSAPR), which focused on reducing Nitrous Oxides (NO_x) emissions and Sulfur Oxides (SO_x) from power plants, including NPPD's Sheldon Station in southern Lancaster County. CSAPR required NPPD to reduce emissions of NO_x at Sheldon Station by about 80%. In response, NPPD began operating an air pollution control technology called an "over-fire air" injection system. This over-fire air system worked well and significantly reduced NO_x emissions. In 2012, a Federal court overturned CSAPR, but NPPD has continued to operate using the over-fire air system. NPPD's billable emissions of regulated pollutants for calendar year 2012 will be about 6100 tons (about 2300 tons less than 2011).

Unless the emission fee structure and rates are modified, the reduction in NPPD's emissions will result in a decrease in revenue of about \$130,000 for this fiscal year (FY13). Thus, the Health Department reviewed our Title V Program budget and fee structure, and is proposing both budget reductions and modifications to the emission fee structure.

Proposed Budget Reductions for FY13

The adopted budget for the Title V Program for FY13 was \$812,913. This budget included the vacant Air Quality Supervisor position. The Air Quality Supervisor position was filled through an internal hiring process. Upon hiring this position, the Air Program had a vacant position that was previously filled by the successful internal candidate. Staff propose to not fill this vacant position, resulting in a cost savings of about \$86,000. Thus, a modified budget is proposed for FY13 of \$727,000.

Title V Revenue Projections and Proposed Revisions to Fees

Even with budget reductions, increasing fee revenue will be required to meet operating costs and to maintain a fiscally responsible Title V Fund balance. Staff considered various options to increase fee revenue. Four main options were considered:

- 1) Increasing the emission fee charged per ton of regulated pollutant
- 2) Charging a higher fee for specific emissions, such as Hazardous Air Pollutants
- 3) Charging fees for CO2 emissions
- 4) Increasing fees through a tiered emission fee system (charging higher fees for more emissions)

Staff presented the proposed budget reduction and these four options to the Air Pollution Control Advisory Board on November 27, 2012. APCAB recommended that the budget reduction be made and asked staff to develop a specific proposal for a tiered emission fee system for their review. Staff developed a tiered emission fee system and discussed it with the two largest regulated sources of air pollution in Lincoln and Lancaster County (NPPD and ADM) that would be most affected prior to bringing it back to APCAB. On January 24, 2013, APCAB reviewed and unanimously approved a tiered emission fee system. On February 12, the Board of Health reviewed and unanimously approved this proposal.

Tiered Emission Fees

The proposed tiered emission fee system would charge higher fees for more air pollution. This approach would maintain the precedent set by the Clean Air Act to collect more fees from the largest sources of air pollution, which also pose the greatest potential for negative public health impacts.

The proposed emission fee structure would be as follows:

- 1) The minimum annual emission fees charged to each source would not be changed.
- 2) The first tier (up to 500 tons of air pollution emissions) would charge an emission fee of \$58 per ton, up from the \$56.50 per ton charged last year. This is just under a 3% increase.
- 3) Two additional emission fee tiers would be created, with an approximately 20% differential between each tier.

Tier	Air Pollution Emissions	Fee/Ton
1	up to 500 Tons	\$58
2	501 to 1000 Tons	\$70
3	>1000 Tons	\$84

All air pollution sources would continue to pay the annual minimum emission fee of:

- \$2500 for Class I Major sources;
- \$1250 for Synthetic Minor sources (this is a source of air pollution that has accepted restrictions in operational capacity to reduce air pollution); and
- \$250 for small Class II sources.

Sources that emit up to 500 tons would pay about a 2.7% increase in emission fees. This would affect about 38 sources of air pollution. Only two sources of air pollution will be impacted by the increased fees in Tier 2 and Tier 3: NPPD, which emitted about 6100 tons of air pollution in 2011; ADM, which

emits around 1000 tons of air pollution each year. These two largest sources of air pollution would have higher increases. NPPD would pay about 4% more total fees than they did for emissions in calendar year 2011, but the cost per ton of air pollution emitted would be higher. If ADM emitted the same amount of air pollution in 2012 as they did in 2011 (1075 tons), they would pay about 14% more in total fees.

This tiered emission fee schedule would generate approximately \$675,000 to \$715,000 in revenue, which would be very close to fully meeting the revised Title V Air Quality Program budget of \$727,000. The Air Quality Program does collect other fee revenue for inspections of Area Sources of Hazardous Air Pollutants, such as large gasoline stations and auto body shops, and for asbestos removal notifications. Combined with the emission fees, the Air Quality Program should come very close to meeting budget. In addition, the Title V Air Quality Fund balance could be maintained at the recommended balance of at least three months of operating costs.